

Message Text

CONFIDENTIAL

PAGE 01 VIENNA 05854 01 OF 02 271106Z POSS DUPE
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
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P 271053Z JUN 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC PRIORITY 6983

C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 05854

E.O. 11652: N/A
TAGS: EAIR, AU
SUBJECT: CIVAIR: PAN AM FARES

REF: STATE 155560

1. ECON COUNS, ACCOMPANIED BY NEW PAN AM MANAGER AND HIS DEPUTY, MET WITH MFA DIRECTOR FOR TRANSPORTATION BOGEN JUNE 22, TO DISCUSS PAN AM REQUEST FOR BUDGET/STANDBY FARES. MEETING WAS AT BOGEN'S REQUEST AND WAS IN RESPONSE TO EMBASSY'S EFFORTS ON JUNE 12 AND 13 TO GET GOA TO RECONSIDER AND AGREE TO PAN AM FILING. EMBREP USED TALKING POINTS SUGGESTED REFTEL AND STRESSED USEFULNESS OF REQUESTED FARES IN ENCOURAGING INCREASED TOURISM TO AUSTRIA (AN IMPORTANT GOA OBJECTIVE IN LIGHT LARGE CURRENT ACCOUNT DEFICIT). PAN AM REPS PROVIDED WORTHWHILE TECHNICAL SUPPORT. EMBOFF AGAIN REGISTERED COMPLAINT RE GOA PRACTICE OF SENDING OFFICIAL COMMUNICATIONS BY MAIL AS TRANSMITTAL NOTES ADDRESSED ONLY TO THE EMBASSY, AND URGED THAT SUCH COMMUNICATIONS BE TRANSMITTED AS DIPLOMATIC NOTES.

2. BOGEN OFFERED NO REAL REBUTTAL TO POINTS MADE (AND GAVE IMPRESSION HE FOUND THE US CASE QUITE PERSUASIVE). HE SAID HE WOULD CONTACT OTHER APPROPRIATE GOA OFFICIALS
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PAGE 02 VIENNA 05854 01 OF 02 271106Z POSS DUPE

AS SOON AS HE COULD REACH THEM TO PRESENT OUR ARGUMENTS AND ATTEMPT TO SEEK "SATISFACTORY SOLUTION." HIS EFFORTS, HOWEVER, SEEM TO HAVE FAILED, FOR HIS PROMISED REPORT BACK TO ECON COUNS INDICATED THAT AUSTRIAN CIVAIR AUTHORITY CONTINUES TO OBJECT TO PAN AM FILING ON FORMAL GROUNDS AS WELL AS THOSE OF ECONOMIC POLICY. ONLY COMPREHENSIBLE REASON BOGEN WAS ABLE TO CITE WAS

PRESSURE FROM NEIGHBORING COUNTRIES TO HOLD THE LINE. HE OFFERED, HOWEVER, TO "CONTINUE TRYING."

3. LOCAL PAN AM OFFICE HAS IN MEANTIME RECEIVED GREEN LIGHT FROM ITS HEADQUARTERS TO PROCEED WITH NEW FILING WHICH WOULD ASK FOR BUDGET/STANDBY FARE ESSENTIALLY AS IN ORIGINAL FILING, BUT WHICH WOULD ADJUST COST IN AUSTRIAN SCHILLINGS CLOSE TO IATA RATE AND WOULD PERMIT "INTERLINING". PAN AM PLANS TO DISCUSS THIS REQUEST INFORMALLY PRIOR TO FILING -- IN GERMAN.

4. COMMENT. LOOKING BEYOND THE FACADE OF "FORMAL AND ECONOMIC POLICY REASONS" ERECTED IN THIS CASE, IT APPEARS THAT THE REAL REASONS FOR REJECTION OF PAN AM'S APPLICATION WERE TWO-FOLD: (A) PRECEDENT THAT WOULD HAVE BEEN ESTABLISHED IF GOA HAD ACCEDED TO A FARE CONVERTED AT BANKERS RATE, WHICH IS SUFFICIENTLY LOWER THAN IATA RATE TO MOVE AUSTRIAN AIRLINES FROM ITS CURRENT PROFITABLE POSITION INTO RED IF SAME WERE TO BE APPLIED TO ITS FARES; AND (B) PRESSURE FROM NEIGHBORING COUNTRIES (MOST LIKELY GERMANY AND SWITZERLAND) WHERE AUA RIGHTS AND ARRANGEMENTS ARE CRITICAL. PAN AM'S NEW PROPOSAL SHOWS PROMISE OF ACCOMMODATING FIRST CONCERN, WHILE MEETING USG OBJECTIVE OF ESTABLISHING A NEW, LOW FARE.

5. WITH RESPECT TO CONCERNS EXPRESSED REFTEL, WE HAVE CONFIDENTIAL

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PAGE 03 VIENNA 05854 01 OF 02 271106Z POSS DUPE

FOUND NO EVIDENCE THAT GOA CONSIDERS USG ACTIONS TO HAVE BEEN TARDY IN ANY RESPECT. MOREOVER, WE BELIEVE THE REAL GOA DECISION-MAKERS ARE QUITE AWARE OF WHAT WE WANT; THEY THINK, IN TURN, THAT WE UNDERSTAND THEIR POSITION. CERTAINLY PAN AM DOES. THEREFORE WE DO NOT BELIEVE THAT OPPORTUNITIES MAY HAVE BEEN MISSED, FOR TIMELY AND MEANINGFUL DISCUSSIONS, EVEN IF THE FORMAL PROCEDURES MAY NOT ALWAYS HAVE BEEN AS TIDY AS THE DEPARTMENT -- AND EMBASSY -- WOULD HAVE PREFERRED. OUR CIVAIR RELATIONS WITH AUSTRIA ARE UNFORTUNATELY NOT GOOD AT PRESENT, AND PRIORITY TASK IS TO IMPROVE THEM TO EXTENT POSSIBLE WITHIN THE OVERALL LINES DICTATED BY USG POLICY. BECAUSE OF BASIC DIFFERENCES BETWEEN AUSTRIAN SYSTEM (WHERE SINGLE CARRIER IS GOVERNMENT OWNED AND HAS PREDOMINANT SAY IN CIVAIR POLICY) AND OUR OWN, IT IS NOT ALWAYS POSSIBLE TO EQUATE NORMS AND PROCEDURES.

6. SINCE CHRONOLOGIES ARE IMPORTANT UNDER CIVAIR AGREEMENTS, WE WOULD LIKE TO MAKE SEVERAL CHANGES AND NOTES ON THE ONE OUTLINED IN REFTEL PARA 2, BASED ON OUR RECORDS:

- (A) PAN AM'S ORIGINAL FILING ON MAY 16 REQUESTED THAT THE NEW FARES ENTER IN EFFECT ON JUNE 11 (NOT 15). PAN AM, THEREFORE, FAILED INITIALLY TO MEET THE BILATERAL CONDITION THAT SUCH REQUESTS BE FILED "AT LEAST 30 DAYS" IN ADVANCE.

- (B) SINCE PAN AM HEADQUARTERS HAD REPORTEDLY

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PAGE 01 VIENNA 05854 02 OF 02 280620Z
ACTION EB-08

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TO SECSTATE WASHDC PRIORITY 6984

C O N F I D E N T I A L SECTION 02 OF 02 VIENNA 05854

COORDINATED THEIR FARE FILING WITH DEPARTMENT, IT WAS OUR UNDERSTANDING THAT THE CARRIER ALSO HAD INFORMED IT IMMEDIATELY OF THE MAY 29 REJECTION.

- (C) STATE'S 146548 REACHED US TOO FAR INTO THE WEEKEND TO CONTACT GOA OFFICIALS. WE DID SO, HOWEVER, ON JUNE 12 AND 13, AND REPORTED WHAT "REACTIONS" WE WERE ABLE TO SOLICIT IN VIENNA 5437. BOGEN SAYS HE HAS NOT HEARS OF A PRESCRIBED "NOTICE OF DISSATISFACTION", AND TERM PER SE DOES NOT SEEM TO BE DEFINED IN BILATERAL.

- (D) NEITHER EMBASSY NOR LOCAL PAN AM OFFICE KNEW FOR SURE THAT FARES FILED HAD BEEN APPROVED BY US CAB. PAN AM APPLICATION SIMPLY STATES THEY HAVE BEEN "FILED WITH THE USG." WOLF

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